

**STATEMENT BY KEITH KISLING
BEFORE THE
HOUSE COMMITTEE ON AGRICULTURE
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC
OCTOBER 16, 2003**

Thank you Mr. Chairman and members of the Committee. I sincerely appreciate the opportunity to be here today.

The topic of this hearing is very important to the future of agriculture and to farmers and ranchers like me who are looking for ways to get more of our income from the marketplace, take advantage of new value-added business opportunities, and to help create wealth in our rural communities. For these reasons, I want to commend you for your leadership in holding this hearing. I also want to commend Congressmen Sam Graves and Earl Pomeroy for their leadership as House co-chairs of the new Congressional Farmer Cooperative Caucus.

My name is Keith Kisling and I am a 3rd generation farmer from Burlington, in the 3rd Congressional district of Oklahoma proudly represented by the Honorable Frank Lucas.

I currently serve as secretary/treasurer of the Oklahoma Wheat Commission and I am the vice chairman of US Wheat Associates. US wheat is an organization funded by the wheat check off program whose purpose is to market our wheat products both here and abroad and research new ways for farmers to do business. We greatly appreciate your support of agricultural research through our Land Grant Universities because without that financial support, our industry would suffer immensely.

My farm is typical of most in my part of the country with a majority of our revenue derived from wheat, stocker cattle, alfalfa, winter wheat pasture and a 1500 head feedlot. For all of my career as a farmer I have enjoyed incredible benefits as a member of our local Burlington Cooperative Association, where I served as director for 12 years, and as a member of four other agricultural cooperatives in Oklahoma and Kansas. I have always viewed the cooperative system as a vital instrument in producing and marketing agricultural commodities, but in the past four years I have seen first hand that cooperatives can be much more.

In 1996, a group of producers in our part of Oklahoma started looking at options on how we could “add value” to the high quality wheat product we were selling. This thought process hatched what is known today as Value Added Products, a New Generation Cooperative in Alva, Oklahoma that takes our wheat production and transforms it into frozen pizza crusts that are sold throughout the Midwest. We take 642,000 bushels of wheat and yield \$20 million of pizza crust per year making us the largest single pre-proofed and frozen dough plant in the United States after only four years in operation.

But getting from the “idea” stage to the “production” stage was no easy task and this is where your help is vital for this type of value added venture to work throughout rural America.

Of course our biggest challenge was collecting up front capital in order to convince our lenders to buy into the deal. We held 40 meetings with a goal of raising \$10 million to use against our \$18 million total project cost.

One tool made this possible. In Oklahoma, we have a 30% State Tax Credit that can be utilized over seven years when you invest in a value-added venture. This tax credit was the only reason we were able to bring 850 producers in as investors, and it is a model we would ask you to consider. I was asked constantly in those forty meetings we held if there was a similar federal tax credit and my response had to be “no”. A “yes” answer would be much more helpful in the future.

After raising the necessary equity capital, we were able to obtain the financing we needed with the help of USDA's guaranteed loan program. We also obtained a grant under USDA's Value-Added Grant Program, which provides funds on a matching basis to assist start up value added ventures and provide working capital for existing businesses in order to market their products better. Two years ago, Value Added Products received an existing business grant which allowed us to expand into new products.

We are now selling the world pizza crust instead of a railroad car full of wheat. More jobs are available for our young people and more sales tax revenue is going into our community to provide basic infrastructure and technology.

The 2002 Farm Bill with the inclusion of Rural Development and Energy titles sent a message to Rural America that Farm Policy and Rural Policy are not necessarily the same thing. Granted, farming is the backbone of the rural economy, but for a body to function properly it must also have arms and legs, which include our rural infrastructure, and rural employers. We cannot survive without the full package.

If we are going to survive as an industry, we have to find new and better ways to capture more of the value of what we produce after our commodities and products leave the farm.

Farmer cooperatives, including New Generation Cooperatives such as Value Added Products, can play an important role. But we also need programs in place that help encourage and promote such efforts.

Attracting equity capital is a critical challenge. Again, federal tax incentives similar to our Oklahoma tax credit would help encourage investment in cooperatives.

Value-Added Grant Program should continue to be funded at no less than \$40 million as provided in the 2002 Farm Bill. In fact, I believe the program should be expanded in dollars and eligibility to help more rural business and producers bring more value-added projects to the table.

As a food producer from America's breadbasket I again thank you for the opportunity to testify. Your willingness to listen is what will ensure a strong tomorrow for American Agriculture.